

CHAPTER 8**REPORT ON CAPITAL AND OPERATING LEASES****0801 GENERAL**

Capital leases are created when a contractual arrangement is essentially equivalent to an installment purchase of property. A capital lease is recognized as the long-term lease of a capital asset. To the lessee, a capital lease is the same as owning the asset. Accounting rules require that the leased asset and the present value of the lease payments be recorded on the lessee's balance sheet. For the lessor, a capital lease is treated as a sale of the asset. Operating leases are all leases that are not capital leases. Ordinarily, NASA leases property from others (lessee); however, there may be instances in which NASA leases property to others (lessor).

0802 FORMAT

The Capital and Operating Leases report segregates capital and operating leases and identifies major categories such as: buildings, land, other structures and facilities, and equipment. The Capital and Operating Leases format illustrated below is designed to report the gross amount of future lease payments for capital leases and noncancelable operating leases with terms longer than one year. The amounts reported represent the yearly total of future payments on NASA-leased property for the next five years and a combined total for remaining years' payments. Optional extension periods should not be included on the schedule until exercised.

0803 INSTRUCTIONS

Operating leases are reportable only when the lease terms are for a non-cancelable period in excess of one year. Most operating leases should not be included on the schedule since lease terms usually provide for termination with 30 days notification and are therefore cancelable (see Federal Acquisition Regulation Subchapter G, Part 49 [FAR, Subchapter G, Part 49](#)).

0804 NASA AS LESSEE

The Capital and Operating Leases report is also required in those instances in which the NASA is the lessor of the leased property. In those instances, in addition to the Capital and Operating Leases report, a listing of lease agreements should also be provided. The listing of agreements where NASA is a lessor should include a description of the agreement (i.e. equipment), amounts collected during the current fiscal year, account to which the collection was posted, amounts to be collected during each of the next five fiscal years, a total amount for future years (beyond the 5 years), any amounts overdue and receivables recorded for amounts due. Negative report submissions are required.

0805 DUE DATE

The Office of the Chief Financial Officer (OCFO) will prescribe the due date for the report annually.

0806 REPORT ON CAPITAL AND OPERATING LEASES

The Report on Capital and Operating Leases is provided on the following page.

CAPITAL AND OPERATING LEASES**CENTER****As of September 30, 20__****(Amounts In Dollars)**

Leases by Major Category	Year 1	Year 2	Year 3	Year 4	Year 5	After 5 Yrs.
Capital leases:						
Equipment						
Land						
Buildings						
Other Structures/Facilities						
Operating leases:						
Equipment						
Land						
Buildings						
Other Structures/Facilities						

Notes:

1. Figures provided in table above include leases awarded on or after October 1, 1986.
2. Figures provided in table above include the gross amount of future lease costs for capital and operating leases when the lease terms are non-cancelable for a period in excess of 1 year.
3. NEMS Report 136 is provided on a yearly basis by the NEMS Equipment Manager for leased equipment and should be used as a basis for preparing this report. Report 136 is a NEMS report that lists leased equipment subject to capitalization. NASA Centers should develop a system for capturing lease costs for land, buildings and other structures and facilities not covered by Report Number 136.